

**REMARKS**

This Amendment and Request for Reconsideration is submitted in response to an outstanding Office Action dated May 18, 2006, the shortened statutory three month period for response set to expire on August 18, 2006. Accordingly, this submission is timely. However, in the event that the Commissioner determines that an extension of time is due, the undersigned hereby petitions for any required extension of time and authorizes the Commissioner to charge any associated fee to the Milbank deposit account No. 13-3250.

**I. Status of the Claims**

Claims 15 - 20, and 22 - 24 are pending in the application. By this amendment, claim 21 is cancelled, claims 15, 16, 17, 18, 22 and 23 are amended and claim 24 is added. Claims 15, 18, 23 and 24 are independent claims.

Applicants acknowledge the Examiner's citation of statutory authority as a basis for claim rejections.

**II. Rejections under 35 U.S.C. § 101**

In the Office Action dated May 18, 2006, claims 15 - 23 have been rejected under 35 U.S.C. § 101 on the bases that the claimed invention is directed to non-statutory subject matter, and that the claims must be a “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” Office Action at ¶ 3, page 2.

The Examiner also states that with respect to “an exchangeable security”, it is “not clear if the claimed invention is a ‘new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof’. An exchangeable security is essentially a collection of information and rights and as such does not fall into one of the above-mentioned categories.”

Finally, the Examiner states that “the claims are nonfunctional descriptive material, per

se. There is no computer-readable medium recited and even if there was a medium, the information recited, i.e. value, amount, right, is not functional descriptive material. In other words, this is not directed to an executable program or a data structure that would control a computer, it is just a collection of data.”

Applicant respectfully submits that the subject matter of claims 15 - 20, 22, 23 and 24 meet the requirements of 35 U.S.C. § 101. Applicant further submits that the claimed subject matter is statutory because the invention is a practical application and as a whole produces a “useful, concrete and tangible result.” State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 1998, 47 U.S.P.Q.2d 1596 (Fed. Cir. 1998). The instant inventions are directed to practical applications of functional financial instruments, in the form of exchangeable securities that are tradable on a securities exchange. Applicant respectfully submits that the claimed exchangeable securities produce a useful, concrete and tangible result, and as such constitute inventions in the field of finance.

A useful, concrete and tangible result is provided by, among other things, a financial instrument not heretofore known to the field of finance. By providing a new exchangeable security having an issue value that is a price of one share of an underlying security at a first time, a linked payment amount linked to the exchangeable security, and an exchange right beginning at a second time after the first time, wherein a holder of the exchangeable security may tender one share of the exchangeable security and receive in return one share of the underlying security and the linked payment amount, participants of the transaction receive a tangible benefit. For example, a holder of the exchangeable security will obtain the linked payment amount, which is more than the return of the underlying security. In addition, by providing a new exchangeable security having an issue value that is a price of an underlying basket of underlying securities at a first time, a linked payment amount linked to the exchangeable security, and an exchange right

beginning at a maturity date after the first time, wherein a holder of the exchangeable security may tender one share of the exchangeable security and receive in return the basket of underlying securities and the linked payment amount, participants of the transaction also receive a tangible benefit. For example, a holder of the exchangeable security will obtain the linked payment amount, which is more than the return of the underlying basket of securities.

Finally, in allowing U.S. Patent No. 6,947,901 to McCabe et al., the U.S. Patent and Trademark Office has acknowledged the patentability of claims directed to financial instruments, and therefore acknowledged that financial instruments themselves constitute statutory subject matter. Issued claim 1 of the '901 patent recites "A first financial instrument representing an ownership interest in a first portfolio ..." Pending claim 1 of the instant application recites "An exchangeable security that is tradable on a securities exchange ..." There is no significant difference in the statutory subject matter of the claims.

Applicant submits the pending claims satisfy the requirements under 35 U.S.C. § 101 and asks that the Examiner withdraw the rejection.

### III. Rejections under 35 U.S.C. § 112

In the Office Action dated May 18, 2006, claims 15 – 23 have been rejected under 35 U.S.C. § 112 ¶ 2 on the basis that the claims are allegedly indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Office Action at ¶ 5, page 3.

Specifically, the Examiner indicated that "It is not clear if by the term 'An exchangeable security', the Applicant means 'a method', 'an apparatus' or 'a process.'"

Applicant submits that claims 15 - 20, 22, 23 and 24 are neither vague nor indefinite since, when interpreted in light of the disclosure, they reasonably apprise a person of ordinary skill in the art of the invention. See MPEP § 2106(V)(A)(2) (the definiteness of the language

must be analyzed “in light of the teachings of the disclosure as it would be interpreted by one of ordinary skill in the art.”). The claimed inventions relate to financial instruments within the field of finance, and as such relate to practical applications which applicant respectfully submits are neither vague nor indefinite.

IV. Provisional Rejection under Double Patenting

Claims 15 - 23 have been provisionally rejected under the judicially created doctrine of obviousness-type double patenting over claims 43 – 51 of co-pending Application No. 09/769,999 to Seaman.

Applicant submits that in the event that claims that are not patentably distinct become patented, applicant would submit an appropriate terminal disclaimer.

V. Rejections of Claims 15 – 17 and 19 – 23 under 35 U.S.C. § 103

In the Office Action dated May 18, 2006, claims 15 - 17 and 19 – 23 have been rejected under 35 U.S.C. § 103(a) on the alleged basis that the subject matter of the claims are allegedly obvious over Goldman Sachs Prospectus Supplement No. 150. (“*Goldman Sachs No. 150*”) Office Action at pages 4-7. In addition, the Examiner has apparently taken Official Notice and stated that “conversion ratios of ‘n’, where ‘n’ is any number from a fraction to any multiple is old and well known in the art of finance and investments. By specifying the conversion ratio in the prospectus the issuer makes it very clear to the investor about the number shares of the underlying security the investor can get upon conversion.” Office Action at ¶ 9, page 5.

As an initial matter, applicants note that the pending application filing date is January 25, 2001, and *Goldman Sachs No. 150* is dated October 25, 2000, with references to earlier supplements dated May 8, 2000 and May 10, 2000. Accordingly, *Goldman Sachs No. 150* does not qualify as § 102(b) prior art, and applicant does not admit that *Goldman Sachs No. 150* qualifies as prior art under other sections of § 102.

A. Claim 15 Contains Non-Obvious Subject Matter

Claim 15 is not obvious over *Goldman Sachs No. 150* whether taken alone or in combination with Examiner's Official Notice.

Claim 15 recites an exchangeable security that is tradable on a securities exchange. The exchangeable security comprises an issue value of the exchangeable security that is a price of one share of an underlying security at a first time. The exchangeable security further comprises a linked payment amount determined prior to issue of the exchangeable security and linked to the exchangeable security. The exchangeable security comprises an exchange right beginning at a second time. Under the exchange right, a holder of the exchangeable security may tender one share of the exchangeable security, and receive in exchange for the tender one share of the underlying security and the linked payment amount. The second time is after the first time.

*Goldman Sachs No. 150* does not disclose or teach all of those features individually or in combination with the Examiner's "official notice" regarding conversion ratios of "n."

First, assuming that *Goldman Sachs No. 150* discloses an exchangeable security, then the issue price for one share of the exchangeable security is \$1000.00. However a price of the underlying security of American Express company is \$57.9104. Thus, *Goldman Sachs No. 150* fails to disclose an issue value of the exchangeable security that is a price of one share of an underlying security at a first time.

Second, *Goldman Sachs No. 150* discloses an exchange right of 13.7048 underlying shares for each share of the exchangeable security. Thus, *Goldman Sachs No. 150* fails to disclose an exchange right where a holder of the exchangeable security may tender one share of the exchangeable security, and receive in exchange for the tender one share of the underlying security.

Claim 15 does not expressly recite a conversion ratio, and applicant objects to the

Examiner's injection of that term into the claim. However, for the sake of responding to the rejection, if we assume that claim 15 equates to a conversion ratio of 1:1, then by contrast, *Goldman Sachs No. 150* teaches a conversion ratio of 17.2669:13.7048, (or 1.26:1).<sup>1</sup> Thus, *Goldman Sachs No. 150* does not teach or suggest a 1:1 conversion ratio. Because *Goldman Sachs No. 150* discloses and teaches a specific conversion ratio of 1.26:1 and does not disclose other conversion ratios, it actually teaches away from a conversion ratio of 1:1. At least for that reason, a person of ordinary skill would not be motivated to combine *Goldman Sachs No. 150*, with the Examiner's official notice.

Accordingly, applicant respectfully submits that claim 15 is neither disclosed nor suggested in the art of financial instruments and it is indeed novel. Claims 16 - 17, 19 - 20, and 22 depend from claim 15, and for at least the above stated reasons those claims are also not obvious over *Goldman Sachs No. 150* whether taken alone or in combination with Examiner's Official Notice.

**B. Claim 23 Contains Non-Obvious Subject Matter**

For substantially the same reasons why claim 15 is not obvious over *Goldman Sachs No. 150*, claim 23 is also not obvious over *Goldman Sachs No. 150* whether taken alone or in combination with Examiner's Official Notice.

Claim 23 recites an exchangeable security that is tradable on a securities exchange. The exchangeable security comprises an issue value of the exchangeable security that is a market price of one share of an underlying security at a first time. The exchangeable security further comprises a linked payment amount determined prior to issue of the exchangeable security and linked to the exchangeable security. The exchangeable security further comprises an exchange

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<sup>1</sup> At issue, \$1000.00 for one share of the exchangeable security and an underlying share price of \$57.9104 equates to 17.2669 shares of underlying. At redemption, the exchangeable security (purchased for \$1000.00) provides 13.7048 shares. This is discussed at page S-21 of *Goldman Sachs No. 150*. Therefore, the conversion ratio in *Goldman Sachs No. 150* is 17.2669:13.7048, (or 1.26:1), not 1:1 as the Examiner contends in claim 15.

right beginning at a maturity date of the exchangeable security. Under the exchange right, a holder of the exchangeable security may tender one share of the exchangeable security, and receive in exchange for the tender one share of the underlying security and the linked payment amount. The maturity date is after the first time.

As above, *Goldman Sachs No. 150* does not disclose or suggest “an issue value of the exchangeable security that is a market price of one share of an underlying security at a first time” as recited in claim 23. Rather, *Goldman Sachs No. 150* provides an issue value of \$1000.00, while the market price of one share of the underlying security is \$57.9104 at the first time.

Similarly, *Goldman Sachs No. 150* does not disclose or suggest “a holder of the exchangeable security may tender one share of the exchangeable security, and receive in exchange for the tender one share of the underlying security” as recited in claim 23. Rather, *Goldman Sachs No. 150* provides an exchange right of 13.7048 shares of the underlying security for each share of the exchangeable security.

Finally, as above, assuming that claim 23 recites a conversion ratio of 1:1, *Goldman Sachs No. 150* provides a conversion ratio of 1.26:1, and teaches away from a conversion ratio of 1:1.

Accordingly, applicant respectfully submits that claim 23 is neither disclosed nor suggested in the art of financial instruments by the cited references, and the Examiner’s official notice and claim 23 is indeed novel.

C. Rejection of Claim 18 under 35 U.S.C. § 103

In the Office Action dated May 18, 2006, claim 18 has been rejected under 35 U.S.C. § 103 on the basis that the subject matter of the claim is allegedly obvious over *Goldman Sachs No. 150* in view of Merrill Lynch & A.G. Edwards, Semiconductors HOLDRS Trust Prospectus (“*Holders Prospectus*”).

As an initial matter, applicants note that the pending application filing date is January 25, 2001, and *Holders Prospectus* is dated May 4, 2000. Accordingly, *Holders Prospectus* does not qualify as § 102(b) prior art, and applicant does not admit that *Holders Prospectus* qualifies as prior art under other sections of § 102.

As amended, claim 18 recites an exchangeable security that is tradable on a securities exchange. The exchangeable security comprises an issue value of the exchangeable security that is a price of an underlying basket of securities at a first time. The exchangeable security further comprises a linked payment amount determined prior to issue of the exchangeable security and linked to the exchangeable security. The exchangeable security further comprises an exchange right beginning at a second time. Under the exchange right, a holder of the exchangeable security may tender one share of the exchangeable security and receive in exchange for the tender the underlying basket of securities and the linked payment amount, the second time after the first time.

Substantially as explained above for claim 15, claim 18 is also not obvious over *Goldman Sachs No. 150*. whether taken alone or in combination with *Holders Prospectus*.

The Examiner relies on *Holders Prospectus* for a teaching of a basket of securities as the underlying security. Among other things, *Holders Prospectus* does not disclose or suggest a “linked payment amount determined prior to issue of the exchangeable security and linked to the exchangeable security,” or “an exchange right beginning at a second time” where under the exchange right, “a holder of the exchangeable security may tender one share of the exchangeable security and receive in return the underlying basket of securities and the linked payment amount.”

Furthermore neither *Goldman Sachs No. 150* nor *Holders Prospectus* provide any suggestion or motivation to modify the *Goldman Sachs No. 150* reference or to combine the



teachings, with a reasonable likelihood of success. Indeed, since the *Goldman Sachs No. 150* relates to a series of debt securities, having periodic interest payments, wherein a specific exchange rate is provided, and *Holders Prospectus* relates to depository receipts and does not provide for a “linked payment amount linked to the exchangeable security” which linked payment is provided at a second time, the combination of *Goldman Sachs No. 150* and the *Holders Prospectus* would not result in the claimed invention.

New claim 24 also recites an underlying basket of securities and for substantially the same reasons that claim 18 is allowable over a combination of *Goldman Sachs No. 150* and *Holders Prospectus*, claim 24 is also allowable.

At least for these reasons, Applicant respectfully submits that all of the rejected claims are allowable over the cited references and asks that the § 103 rejections be withdrawn.

#### VI. Request for Consideration

Applicant respectfully submits that the claims of this application are in condition for allowance. Accordingly, reconsideration of the application and allowance is requested.

Applicant is amenable to scheduling a meeting with the Examiner and the inventor to explain the invention if the Examiner believes this may assist the Examiner in his examination of this application. Alternatively, if a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated below.

Respectfully submitted,  
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